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UNIDO TECHNICAL COOPERATION ACTIVITIES IN 1997, INCLUDING OPERATIONAL ACTIVITIES FOR DEVELOPMENT

Operational activities for development

Note by the Director-General

Summary

Reports on the assessment of UNIDO's implementation of General Assembly resolution 50/120 and subsequent relevant decisions and resolutions in preparation for the triennial comprehensive policy review of operational activities for development

CONTENTS

			Paragraphs	*Page*
Introduction			1 - 2	2
Chapter				
I.	UNIDO RESPONSE TO GENERAL ASSEMBLY RESOLUTION 50/120		3 - 43	2
	A.	Evaluation of operational activities	4 - 10	2
	B.	Evolution of operational activities for development	11 - 18	2
	C.	Field structures, field coordination and the resident coordinator system	19 - 28	3
	D.	Programme development and support issues	29 - 39	4
	E.	Role of other partners	40 - 43	6
II.	ACTION REQUIRED OF THE BOARD		44	6

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Introduction

1. In 1998, the General Assembly of the United Nations will undertake its triennial comprehensive policy review of operational activities for development. In preparation for this review, organizations of the United Nations development system, as well as resident coordinators and donor and recipient Governments, were requested to provide an assessment of the implementation of General Assembly resolution 50/120, as well as subsequent relevant General Assembly and Economic and Social Council decisions and resolutions, to identify areas requiring further policy guidance by the General Assembly. Given the changing context of operational activities, and taking into account the important reforms being implemented within the system and by the United Nations itself, special emphasis would be given to assessing the implications of these reforms and the changing requirements of recipient countries as well as new perspectives for major donor countries.

2. An interim report on measures taken and planned by UNIDO for the implementation of General Assembly resolution 50/120 was submitted to the Industrial Development Board at its seventeenth session in document IDB.17/14. At that session, the Board took note of the information provided (GC.7/5, para. 37).

I. UNIDO RESPONSE TO GENERAL ASSEMBLY RESOLUTION 50/120

3. The triennial comprehensive policy review of the operational activities for development of the United Nations system in response to General Assembly resolution 50/120 will focus on five major areas: (a) evaluation of operational activities; (b) evolution of operational activities for development; (c) field structures, field coordination and the resident coordinator system (RCS); (d) programme development and support issues; and (e) role of other partners. A summary of UNIDO's response follows. The full report is available from the Secretariat upon request.

A. Evaluation of operational activities

4. The focus and impact of UNIDO's operational activities during the period 1995-1997 are largely a reflection of the reform process undertaken by the Organization to meet the challenges of the new global economy and the changed needs and requirements of recipient and donor countries.

5. On the basis of new thematic priorities during 1995-1997, major achievements have been: (a) to better link the global forum role of UNIDO and its technical cooperation activities to provide greater focus and relevance and thus development impact; (b) a stronger geographical focus on Africa and least developed countries; (c) a sharper focus on small- and medium-scale industries, as well as a sectoral focus on agro- and agro-support industries; and (d) stronger and more extensive cooperation with the private sector.

6. Specific attention was paid to quality, cost-effectiveness and sustainability, supported by a new screening and project cycle management process.

7. UNIDO's regular evaluation activities encompass programme evaluations, thematic evaluations and project evaluations. During the period, UNIDO carried out evaluations on some of its specific programmes: industrial subcontracting; investment promotion; quality, standardization and metrology; and the environment programme supporting the establishment of national cleaner production centres and the implementation of international conventions. These evaluations clearly resulted in positive assessments on the impact and effectiveness of the Organization's operational activities, and confirmed their relevance.

8. In general terms, the evaluation of UNIDO programmes and projects showed a continuing positive trend in terms of project performance, achievement of objectives and quality of project design.

9. In an effort to support and upgrade national evaluation capacities, UNIDO always involves national counterparts in self-evaluation and in-depth evaluation activities, and also supports joint evaluations. Experience to date shows an increasing awareness of recipient authorities of the importance and usefulness of such evaluation exercises.

10. In recognition of the need for ensuring an adequate institutional memory of the United Nations development system about the results of operational activities, UNIDO has developed and operates a range of databases and information systems.

B. Evolution of operational activities for development

11. Industrial development is a critical dimension of the overall economic and social development of developing countries and countries with economies in transition. By raising an economy's productivity, industrialization creates the basis for achieving long-term and sustainable increases in standards of living and thus for fighting poverty effectively. Industry is the main driving force of technological advances throughout the economy and, through its linkages to other sectors, is essential to the creation of productive employment and economic progress.

12. The need for long-term visions and strategies of industrial development with public and private sector participation is widely acknowledged among developing countries. So too is the necessity of promoting regionally balanced patterns of development. Industrial strategy-setting, beyond correcting market failures, provides an overall orientation for economic agents and a unifying perspective for the different actors in society.

13. UNIDO is the only United Nations agency providing integrated support to the development of an efficient industrial sector through information, advisory and technical cooperation services at all relevant levels. It combines expertise horizontally across different industrial subsectors and vertically at different levels ranging from upstream policy advice to institutional support and enterprise-level assistance. It thus brings to bear on industrial development issues a holistic perspective and programmatic approach. Industrial development is seen by UNIDO as a means for overall economic and social development, not as an objective in its own right. Accordingly, in UNIDO support activities emphasis is placed on providing catalytic inputs into developing countries' broader economic development programmes as well as on creating strategic linkages between industry and other sectors of the economy, primarily agriculture and high-value-added services. This is no doubt the most promising approach for providing a long-term solution to the fight against poverty.

14. In the light of the above analysis, the following principal trends emerge at the country and regional level to which UNIDO's operational activities are responding:

(a) A growing importance of the private sector as the principal agent of economic development;

(b) The need to develop integrated responses to often complex and multidimensional development challenges;

(c) Enhanced attention to environmental issues, both at the country level (e.g. in addressing industrial pollution and cleaner production issues) and at the level of trans-border and global environmental challenges, such as climate change and depletion of the ozone layer;

(d) The need to better link and cross-fertilize the analytical and normative work of the United Nations system with operational activities;

(e) The challenge for the United Nations system to achieve not only a better integration of its own activities but also to assume a lead role in overall donor coordination so as to maximize development impact for recipient countries;

(f) The need to respond to the increasing diversification of support requirements in different developing regions.

15. As regards the mobilization of resources for operational activities, UNIDO has diversified its sources of funding and is less dependent on a single source, as was the case before 1994 with the United Nations Development Programme (UNDP) providing a major share. The decline in UNDP core funding has stabilized and a gradual recovery is foreseen to continue.

16. Following a stagnation under the Industrial Development Fund and other trust funds in 1997 due to the political uncertainty surrounding UNIDO, a recovery and increase of these sources of funds is being witnessed and is expected to continue in the coming years. Furthermore, an important shift towards environment-related funding can be noticed, in particular by the Montreal Protocol, but also by governmental contributions under trust funds.

17. UNIDO has not been directly involved in the emergency-type humanitarian aid required for immediate post-conflict assistance. Its support and assistance has always been directed towards reconstruction and rehabilitation of the industrial and manufacturing sector, aiming to ensure self-sustaining development as early as possible.

18. The change in the functional relationship between Headquarters and field offices, which is being implemented in 1998 following the endorsement of the Business Plan by the General Conference in December 1997, is expected to enable UNIDO to respond more effectively to the requirements of developing countries and countries with economies in transition and thus to considerably enhance the impact of country-level operations.

C. Field structures, field coordination and the resident coordinator system

19. UNIDO strongly welcomes the strengthening of the RCS as a means of consolidating and harmonizing a joint United Nations system response to country-level support requirements in the context of the programme approach. Indeed, the programme approach not only requires the existence of clear government programmes but equally the capacity and readiness of the United Nations system to respond with joint support programmes drawing on the combined expertise and capabilities of the entire family of United Nations organizations.

20. Issues of main concern requiring substantive and coherent action at the field level are the need to pool

scarce resources, to enhance integrated programme development and to ensure transparency in the distribution of responsibilities among United Nations system organizations, irrespective of their size or nature (funding vs. technical cooperation). Substantial progress has been achieved through recent programming initiatives such as Country Strategy Notes (CSN), Common Country Assessments (CCA) and United Nations Development Assistance Frameworks (UNDAF).

21. At the same time, there is a continuing need to clearly define the responsibilities of agencies based on individual mandates to eliminate duplication and overlapping in areas pertaining to, among others, entrepreneurship development, investment promotion, technology development and adaptation, and energy.

22. It is a central objective of the RCS to harness the entire United Nations system's expertise and resources for the benefit of recipient countries. It is thus essential to ensure that the potential contributions of United Nations agencies not represented in each country are fully incorporated at the earliest stages of programme development by interacting with their respective Headquarters.

23. UNIDO's main areas of support to the RCS are cooperation in and provision of specialized information and data in the preparation of thematic reports, integrated programmes and programming tools such as CSN, CCA and UNDAF; active participation in field-level coordination committees; and acting as a resource unit for issues of industrialization and private sector development. As regards the recruitment process for Resident Coordinators, considerable improvements have been noticed, but the consultation process needs to be further developed to ensure that such positions are truly open to staff from all organizations of the United Nations system in a transparent manner.

24. The comprehensive restructuring of UNIDO's field representation, launched in January 1998 with the Organization's first global UNIDO Country Director (UCD) meeting at Headquarters, will address the following policy objectives: (a) achieving a higher degree of demand orientation; (b) increasing the Organization's development impact; and (c) shortening the response time in technical cooperation delivery.

25. To this effect, a number of measures will be implemented to reduce managerial overload at Headquarters and congestion in the channels of communication. The main instrument deployed will consist of a substantial transfer of staff and responsibilities and the delegation of related decision-making authority to the field on the one hand and the elimination of non-value-adding, complex and bureaucratic procedures on the other.

26. The role of field offices will be greatly enhanced to include, within the parameters established, identification of needs, formulation of country-level programmes/ projects, mobilization of resources, monitoring of implementation and selective project implementation.

27. UNIDO also fully endorses the concept of common premises for organizations with field presence, referred to by the Secretary-General as the "United Nations House". In the majority of cases, UNIDO's field offices have been and shall continue to be located in common premises with UNDP and other organizations. However, in countries where Governments or local institutions provide premises—and frequently also utilities—free of charge, the respective UNIDO country office may be located outside the United Nations system common premises for reasons of cost-effectiveness.

28. As regards the sharing of administrative services at the field level and notwithstanding the delegation of certain administrative decisions to UCDs, UNIDO will continue to delegate the bulk of its administrative services to UNDP, with the UCD having greater authority to take decisions in many cases which hitherto were referred to UNIDO Headquarters.

D. Programme development and support issues

29. UNIDO's policy on inter-agency cooperation is based on its active involvement and participation in all relevant mechanisms and modalities for strategic planning and coordinated programming at the country level. The United Nations system's strategic joint programming tools such as CSN, CCA and UNDAF can clearly contribute to the development of an integrated programme approach based on identified country priorities and technical cooperation requirements. All UNIDO field representatives have therefore been instructed to participate in the UNDAF pilot activities and to consider them as one of the most important components of their responsibilities. Experience so far shows that, if this initiative is approached in a transparent manner, resources are seriously pooled and genuine harmonization is ensured, the impact could be tremendous. In addition, attracting other donors to this initiative should be encouraged.

30. Common Country Assessments are considered an essential prerequisite for preparing UNDAFs and serve a useful purpose in identifying development prospects, constraints and bottlenecks to which the United Nations system can respond in an integrated and collaborative manner. They are actively supported by UNIDO.

31. As regards regional/subregional programme coordination, greater coherence of United Nations system activities is required. The RCS in its present form is not yet really geared towards these requirements. Greater United Nations system coherence for inter-country development activities could be achieved if subregional/regional programmes are implemented through a recognized subregional/regional institutional framework. The subregional field offices, which UNIDO will establish in the course of 1998, will also be equipped with technical staff capacities in addition to the subregional representative. It is expected that this new type of office will strengthen the Organization's capabilities in developing sustainable subregional/regional cooperation programmes and projects.

32. Another important element of programme development concerns the programme approach. Based on recent experience, UNIDO has developed and further refined its methodology for the programme approach. This has resulted in the formulation of integrated programmes covering the whole spectrum of activities linked to specific subjects, drawing on the wide range of capabilities available in the Organization and combining technical cooperation with its regular budget-funded services. In the 1998-1999 biennium, UNIDO plans to intensify its programme dialogue with other United Nations agencies and funds as well as with the World Bank and regional development banks with a view to identifying and elaborating programmes for joint implementation using complementary expertise and contributions from various United Nations partner organizations. It is suggested by UNIDO that the UNDAF process pay special attention to this somewhat neglected dimension of joint programme implementation.

33. Some misunderstandings still seem to persist on the precise relationship between CSN and UNDAF, specifically in terms of their complementarity and sequencing. Both processes, in many specific country situations, proceed in parallel and would appear to require close coordination and harmonization if they are to serve as a coherent basis for United Nations system operational activities. Their eventual full harmonization and integration is an issue deserving priority attention.

34. UNIDO welcomes the full participation of United Nations specialized agencies in the UNDAF process (including those agencies not represented at the country level). However, there is a dichotomy that needs to be addressed. While UNDAF is to incorporate the expertise, operations and technical capacity of the entire United Nations system, it is still basically conceived as an instrument to allow the programming of resources of the organizations participating in the Joint Consultative Group on Policy (i.e. United Nations funds and programmes). However, specialized United Nations agencies are not in a position to make advance financial commitments for their country-level programmes as these are to a significant degree funded from non-programmable extrabudgetary resources.

35. On the other hand, the elaboration of a genuinely coordinated United Nations system response to priority country-level assistance needs may, in and by itself, be an excellent instrument to mobilize resources from donors for targeted and integrated programmes.

36. UNIDO fully supports enhanced efforts in making full use of the National Execution (NEX) modality, as applied by UNDP in programme countries, whereby UNIDO acts as implementing agent whenever chosen by the government as the technically most competent agency based on its specialized expertise. This involves a broad range of implementation functions, from recruiting specialized project personnel to often technically complex subcontracts and equipment purchases. It also involves UNIDO's role in evaluating nationally-executed projects.

37. Among the main lessons drawn so far for NEX, the following should be highlighted: (a) early involvement of technical and specialized agencies during the design and formulation stage creates a good basis for determining the nature and extent of agency participation in programme and/or project implementation; (b) the role of national project directors is essential in ensuring good coordination of inputs; (c) the provision of technical support services by the agencies, such as those funded by the UNDP support for technical services (STS) facility, greatly contributes to efficient and effective delivery; (d) the existence of adequate institutional and managerial capacity in the country is an essential element for success; and (e) clear systems of accountability and specific guidelines in the implementation of the NEX modality are required.

38. Among the policy areas requiring further clarification (in particular in the context of the revised UNDP guidelines on NEX) are the role and modalities of involving non-governmental organizations (NGOs) and other non-United Nations entities in NEX; the role of UNDP country offices in providing direct support to executing and implementing agents under NEX; and the role of the United Nations Office for Project Services as implementing agent vis-à-vis United Nations specialized agencies.

39. Within the process of transformation of UNIDO under its new leadership, measures will be taken to simplify and rationalize rules and procedures. Over the years, the Organization has developed rule-bound and procedure-oriented control systems that tended to constrain the efficient and timely delivery of services to the clients in the field. The basic guiding principle now is

to change the control system from *ex-ante*, multiple authorizations to *ex-post* verification supported by individual accountability. New guidelines are also under preparation for simplified monitoring and evaluation procedures.

E. Role of other partners

40. In many developing countries, NGOs and civil society are development agents, in particular at the rural and grass-roots levels. In addition to NGOs and civil society being beneficiaries of UNIDO-funded projects, their services have been utilized for the implementation of some components/activities of UNIDO programmes and projects. This is particularly true of projects addressing thematic issues such as the integration of women in development, rural development, environment and energy and poverty reduction.

41. UNIDO also seeks to enhance and strengthen its relationship with the Bretton Woods institutions. It may be anticipated that the expected decentralization of World Bank operations to the country level will improve cooperation, both at the policy level as well as in operational activities. Better operation and focus of United Nations system activities at the country level may also contribute to better coordination. The integrated and selected thematic programmes UNIDO is developing in priority areas will further facilitate such cooperation. From the side of development financing institutions, simpler procedures and better access for the United Nations in areas of technical cooperation would however appear to be another precondition.

42. Close cooperation between the United Nations system and the Bretton Woods institutions could provide important advantages to both. Not only within the context of improved coordination and the resulting increase in effectiveness and impact, but also by allowing each party to concentrate on what they do best. Mutual confidence and acceptance of respective roles is a prerequisite for such improved cooperation. The most difficult area is likely to be the policy dialogue with Governments, as in the past in a number of cases Governments have looked upon the United Nations system as a second independent provider of policy advice. Decentralization could provide a boost to cooperation, but initiatives at the country level are required to operationalize the good intentions. This should be seen as key responsibility of the RCS.

43. The relationship within the donor community at the field level has been considerably improved by locally established United Nations/donor consultation mechanisms in some countries, often linked with thematically oriented teams which have given a prominent role to the related United Nations organizations present in the field. These mechanisms improve the image and coherence of the United Nations system and, at the same time, they can enhance donor involvement and funding. With the trend towards bilateralizing funding, and moving authority to the field level, these mechanisms become even more important.

II. ACTION REQUIRED OF THE BOARD

44. The Board may wish to take note of the present report and make appropriate recommendations.